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All That Xi Wants China's Communist Party is Trying to Reform the Country from the Top Down

Bernt Berger

The Chinese Communist Party's leadership move to drop the constitutional limits ending President Xi Jinping's tenure after two terms have been interpreted as a long-term power grab by many international media. This view however misses a crucial point: Seen in conjunction with the Central Committee's parallel decision to elevate the National Supervision commission, the leadership's step appears in a different light: It seems, the Central Committee is finally biting the bullet and embarks on reforms to consolidate the government – from the top down. How they want to control the message and also ensure co-operation by key stakeholders in this process, remains unclear.

The Central Committee of the Chinese Communist Party has cleared the way for President Xi Jinping to stay in office beyond the current constitutional limits, raising concerns abroad. However, inside China the move appears differently: The party is setting the stage for social and economic reform.

During the Second Plenary Session of the 19th Communist Party of China's (CPC) Central Committee on January 18-19, the CPC approved an important amendment to China's constitution. The centerpiece was a crucial change to Section II, Article 79: the law, which has restricted the president to two consecutive terms in office or a total of 10 years, will be invalidated, pending the assent of the 13th National People's Congress in March 2018.

However, another initiative is receiving less attention, but may ultimately prove more significant: the constitutional authorization of the National Supervision Commission (NSC) as an organ that transcends the legislative and judiciary bodies. This step will not only herald a high degree of recentralization in China – it indicates how the Chinese leadership intends to push through overdue

reforms and overcome inefficient governance structures along the way.

After the announcement of the constitutional changes in mid-February, Chinese media were quick in stating that Xi Jinping would not seek to remain president for life. Rather, these steps would provide him with adequate time to ensure that the next batch of reforms (2020-35), which have been described as “socialist modernization”, will be implemented consistently. After all, President Xi's leadership has already lost valuable time: It was only at the 13th Party Congress in 2017 that he consolidated his own position as the party leader. As pressure for reform has become impossible to ignore, the central leadership has opted to improve governance at all levels.

Urgent: Economic reform and effective governance

So far, Xi Jinping's plan has been going according to his schedule. During his first five years in office he has eliminated informal yet influential power structures, particularly in the public security sector, ousted political opponents inside the party, and elevated his own profile in Chinese society. Yet important tasks had to be postponed from the outset, and the need for economic reform and effective governance is only increasing.

Over the past decade, key structural reforms that would enable a shift from a rapid economic growth model towards a more socially, macro-economically, and environmentally sustainable model were put on hold. Prime Minister Li Keqiang's Blueprint for Economic Reform was presented in the government's work report to the 2nd Plenary Session of the 12th National People's Congress in 2014, but has yet to be implemented. During the 19th Party Congress in 2017 the economic blueprint was reissued, in part because current economic pressures rendered it urgent.

In recent years, China's economic growth model has in part begun to sort itself out. Rising income levels are moving low-skill industries outside of the country. The unemployment rate has leveled off at 4 percent. But 15 million new jobs need to be created each year, and the construction sector, one of China's key drivers of economic growth, has slowed down in the face of increased housing market regulation and decreasing demand.

China also remains dependent on foreign investment. It is only with the help of government-directed lending that the country could maintain economic growth at about 6.9 percent in 2017. According to a 2017 IMF statement, the national debt levels remain a major stability risk, and current corporate debt has reached 165 percent of GDP. In light of these trends, swift action and hard choices are necessary.

In order to carry out the economic transition and manage its social consequences, the Chinese government needs reliable and efficient institutional structures. But more often than not, these structures are hobbled by institutional conflict. Inefficient officials at all levels have left problems unresolved, and bottom-up communication has been difficult to achieve. These issues – and the country's perennial corruption problems—have done lasting harm to the public legitimacy of the CPC.

It seems that the leadership has bitten the bullet, and is now banking on authoritarian consolidation of its government system to support its centrally guided reform plans.

Leading from the Center

Since most of the current challenges stem from misconduct inside the Communist Party (CPC) and an outdated economic model, Xi Jinping's government is working from a weak position: He can do little but take pragmatic policy steps as the opportunities arise and generally help the party manage the pressure. The government's strategy relies on maintaining control of both the party and the Chinese public to make any reform process as frictionless as possible.

The suggested amendment to Chapter 3 of the constitution will provide the NSC with the same status as the Chinese State Council and military commissions, and make it a powerful instrument to oversee the country's anti-graft measures. The NSC will share responsibility and organizational structures with the already powerful Central Commission of Discipline Commission (CCDC), and will oversee local commissions and monitor managers as well as state and public-sector employees. In theory, the move was meant to improve the party's self-control, enabling it to fight corruption and thus improve public sector performance. However, the organ will most likely also be a tool for singling out public servants who delay or oppose the implementation of reform initiatives themselves.

At the same time, the party has strengthened its grip on Chinese society and public surveillance in recent years. Although there are plans in place to mitigate the expected hardship – it will be a massive shift, with the country moving away from the low-cost, low-skill, polluting industries that have been the backbone of its growth—a large number of the labor force will nevertheless be left behind. Due to this expected destabilization, the Chinese leadership is recentralizing to ensure that it remains in the driver seat.

Key stakeholders are not on board – yet As much as the current changes in the center make sense in light of the CPC's internal logic, the implementation of a centrally steered reform process raises many questions. The key issue is how the self-control mechanisms of the CPC and its institutions can be more effective. In the past, information inside both the party and the national institutions often became distorted as it moved up the ranks. Even a more powerful and legally independent supervisory body would rely on reliable input about any hold-ups in the system.

Closer cooperation with civil society, including unions and social associations, might be a more effective way to spread awareness of unresolved conflicts and obstacles. However, despite statements to the contrary, the CPC's relationship with civil society has been ambiguous and

often tainted by mistrust. Meanwhile, the educated elites have also lost steam; until a major crackdown on civil freedoms began in the wake of the 2008 Olympic Games, they had been working to change Chinese politics. It is these cohorts in particular that would be helpful now, yet they seem especially distraught by the current push towards even greater centralization.

Likewise, institutionalized reporting channels, such as the gradually improving petition system and the government's online services, still lack the trust necessary to function efficiently. In the past, petitioners who handed in grievances or complaints regarding their local governments were exposed to despotism and persecution. The CPC needs to square the circle and promote a level of confidence in the efficiency of SPC self-supervision that will convince people to work with its initiative to make governance more efficient at all levels.

Just A Chinese Affair?

From an international perspective, President Xi's grip on power and his push for central control might create greater uncertainties about China's internal reforms, the stability of its market, and potentially even its adherence to international norms. And the government will have

even more work to do when it begins cutting back on regulations – particularly in the finance sector – improving intellectual property rights, promoting the private sector, curbing monopolies, and making macroeconomic regulations more flexible under a centralist reform approach. These are areas which have international repercussions, for instance, for trading partners, Chinese business involvements globally and the balance of competition with other economies: Outside observers will likely follow these developments closely.

As the Chinese government is forced to make hard choices, there will be more social grievances; the government will likely try to eliminate these additional disturbances and cut off international criticism. The resulting conflicts will dominate the public debate for years to come and impact China's international image and ties. At the same time, if successful, improved governance structures might indeed improve China's international status as an economic partner, and in the mid- to long-run even stabilize the country and even improve the civil rights situation.

Bernt Berger joined the DGAP as a senior fellow in July 2017 and is responsible for the research institute's Asia research program.

